national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 105 – Transfer of Functions Between Entities Under Common Control

Effective 1 April 2021

DEFINITIONS

A **function** is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential

A **transfer of functions** is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity

IDENTIFY THE ACQUIRER AND TRANSFEROR

Must be identified for each transfer of functions

- An **acquirer** is the entity that obtains control of the transferor
- A **transferor** is the entity that relinquishes control of a function

DETERMINE THE TRANSFER DATE

- The **transfer date** is the date on which the acquirer obtains control of the function and the transferor loses control of that function
- Evidenced in a binding arrangement

IDENTIFY ASSETS ACQUIRED OR TRANSFERRED LIABILITIES ASSUMED OR RELINQUISHED

- Must be part of what had been agreed in terms of the binding arrangement, rather than as a result of separate or pre-existing arrangements
- Costs the acquirer expects, but not obligated to incur in future to effect its plan to exit an activity of the transferor or terminate employment – not part of liabilities at transfer date

ACCOUNTING BY ACQUIRER

INITIAL RECOGNITION AND MEASUREMENT

- Recognise the purchase consideration paid (if any) to the transferor and all assets acquired and liabilities assumed at carrying amounts (as recorded by the transferor on transfer date)
- Difference between carrying amounts and the consideration – recognised in accumulated surplus or deficit
- Acquisition related costs - expensed when incurred
- Costs incurred to issue debt or equity securities - recognised in accordance with GRAP 104
- Assets/liabilities are classified or designated in accordance with applicable Standards of GRAP

If accounting is incomplete by end of reporting date, recognise provisional amounts. These are adjusted retrospectively to reflect new information obtained. Period to measure all assets and liabilities may not exceed 2 years from transfer date.

SUBSEQUENT MEASUREMENT

- Account for assets and liabilities in accordance with relevant Standard of GRAP

ACCOUNTING BY TRANSFEROR

- Derecognise all assets and liabilities at their carrying amounts on the transfer date
- Recognise consideration received at fair value in accordance with applicable Standard of GRAP
- The difference between the carrying amounts and consideration received recognised in accumulated surplus or deficit